



FINGRID



ANNUAL REPORT 2005

FINGRID OYJ 2005

Review by the President.....	4
Fingrid in Brief.....	6
Fingrid Oyj's Power Transmission Grid.....	6
Fingrid's Mission.....	7
Fingrid's Values.....	7
Grid Services.....	9
Electricity Market Development.....	11
Capital Expenditure and Grid Maintenance	13
R&D	15
Environment	17
Power System Operation	19
Corporate Social Responsibility	21
Personnel.....	23
Corporate Governance.....	25
Board of Directors.....	26
Advisory Committee	28
Fingrid Oyj 2006.....	30



2005

REVIEW BY THE PRESIDENT

It is widely recognised that the Nordic electricity market is the most progressive electricity market area in Europe. However, issues relating to the functioning of the market have been discussed in public more frequently than before. The transmission system operators (TSOs) have a key role in removing the shortcomings identified, but action is also required from other market parties and authorities.

The good water reservoir situation in the Nordic countries in 2005 enabled a high volume of hydropower production. This, together with the effect of emissions trading, reduced the use of conventional condensing power. There were great transmission needs in the Nordic transmission grid. This is why congestion revenues arising from transmission congestions in the Nordic market area rose to a record figure of 117 million euros. Another distinct signal indicating a shortcoming was the exceptionally high area price for Finland during one hour on 8 December, when the price was as high as 1,147 euros per megawatt hour.

In 2004, the Nordic TSOs launched the extensive development programme drawn up by their co-operation organisation Nordel. The main part of the programme is the implementation of five priority cross-sections in the Nordic countries. One of these projects is the construction of the second sea cable between Finland and Sweden, which was launched by Fingrid and Svenska Kraftnät. The swift progress of the four other projects is also important, and bottleneck revenues should be allocated to the funding of these projects which have already been decided.

Another important issue is the transparent definition of cross-border capacity so that internal congestions within countries are only transferred to the national borders during compelling situations which have been specified in advance. Fingrid considers it important that Finland and Sweden, like the other Nordic price areas, would become separate price areas because of internal congestions as rarely as possible. Procedures which promote the foreseeability of capacity offered to the spot market should also be developed. Harmonising the roles and underlying regulations of the Nordic TSOs is important so that the goals set can be achieved.

Contracts relating to the reservation of the total transmission capacity of 900 megawatts, which became available on Fingrid's cross-border connections from

Russia at the beginning of 2006, were signed at the end of 2005. The Russian party presented strong demands to reduce the transmission prices. The transmission prices were stabilised over a long time span to a level which ensures full cost correlation. In view of the future, it is necessary that import flexibility from Russia is increased so that the needs of the Nordic market and system functioning are taken into account better at present.

A decision on the construction permit for a new sea cable connection of 1,000 megawatts between Finland and Russia will be made soon. In its statements submitted to the Finnish Ministry of Trade and Industry, which serves as the permit authority, Fingrid has pointed out the extensive negative impacts of the project. The risk of black-out in Finland would grow manifold, as would the risk of Finland splitting from the Nordic market into a price area of its own. Reinforcements would be needed in both the Russian and Nordic power systems so that the project would be feasible.

The construction of a sea cable link between Finland and Estonia was launched. Fingrid is not involved in the actual construction of the cable, but it has made an agreement on connecting the cable to the Finnish grid. Co-operation concerning the operation of the sea cable will be agreed during 2006. Fingrid is also launching co-operation with the TSOs in the other Baltic countries. The need for co-operation is highlighted by these countries joining ETSO, the Association of European Transmission System Operators.

The construction of grid reinforcements required by the third nuclear power unit being built at Olkiluoto began in 2005. A gas turbine power plant of 100 megawatts will be built at Olkiluoto, due to be completed by the summer of 2007. Other major projects in the coming years include the reinforcement of the 220 kilovolt grid in Western Lapland, and the 400 kilovolt transmission line between Petäjäsoski and Keminmaa also in Lapland. Capital expenditure by Fingrid in the next five years will total approx. 450 million euros.

Fingrid's research and development were reorganised, and a systematic programme was drawn up for R&D. The key areas in the coming years will include analysis and control methods for system security and electricity transmissions,

technical solutions and maintenance management applied to the grid, and adapting the power transmission system to its environment. Through R&D, Fingrid can expand and advance its special expertise. Basic know-how in electricity transmission will be supported by the launching of the professorship donated by Fingrid to the Helsinki University of Technology from the beginning of 2006.

Fingrid's financial result for 2005 was somewhat below budget. The foremost factor influencing this was the long labour market dispute in the Finnish pulp and paper industry in the spring. As a result of the dispute, Fingrid's grid service income decreased by approx. 5 million euros. Abundant electricity imports from the west also increased the transit fees in the European compensation system. Higher than anticipated bottleneck revenues partly compensated for these costs.

Fingrid's positive profit trend over several years has enabled an improvement in the company's balance sheet. Equity ratio is now clearly over 20 per cent. Even though this is lower than with other Nordic TSOs and even though Fingrid has an extensive ongoing capital expenditure programme, the equity ratio reached is deemed to be sufficient in the present risk environment. Hence, Fingrid reduced the price level of grid service by approx. 5 per cent from the beginning of 2006. The company will continue to assess the need to reduce or increase the prices on the basis of the 25 per cent level specified for equity ratio and on the basis of sufficient risk management capability.

Fingrid's personnel are satisfied with their work and with their company as employer. This was indicated by the results of a workplace atmosphere survey carried out last autumn; these results were better than in earlier surveys. The organisation has clearly become close-knit and adopted the Fingrid way of working. This gives me great pleasure as the President. Maintaining the positive trend is a challenge to us all, and more specifically so to the corporate management. I would like to thank our entire personnel for a successful year 2005.

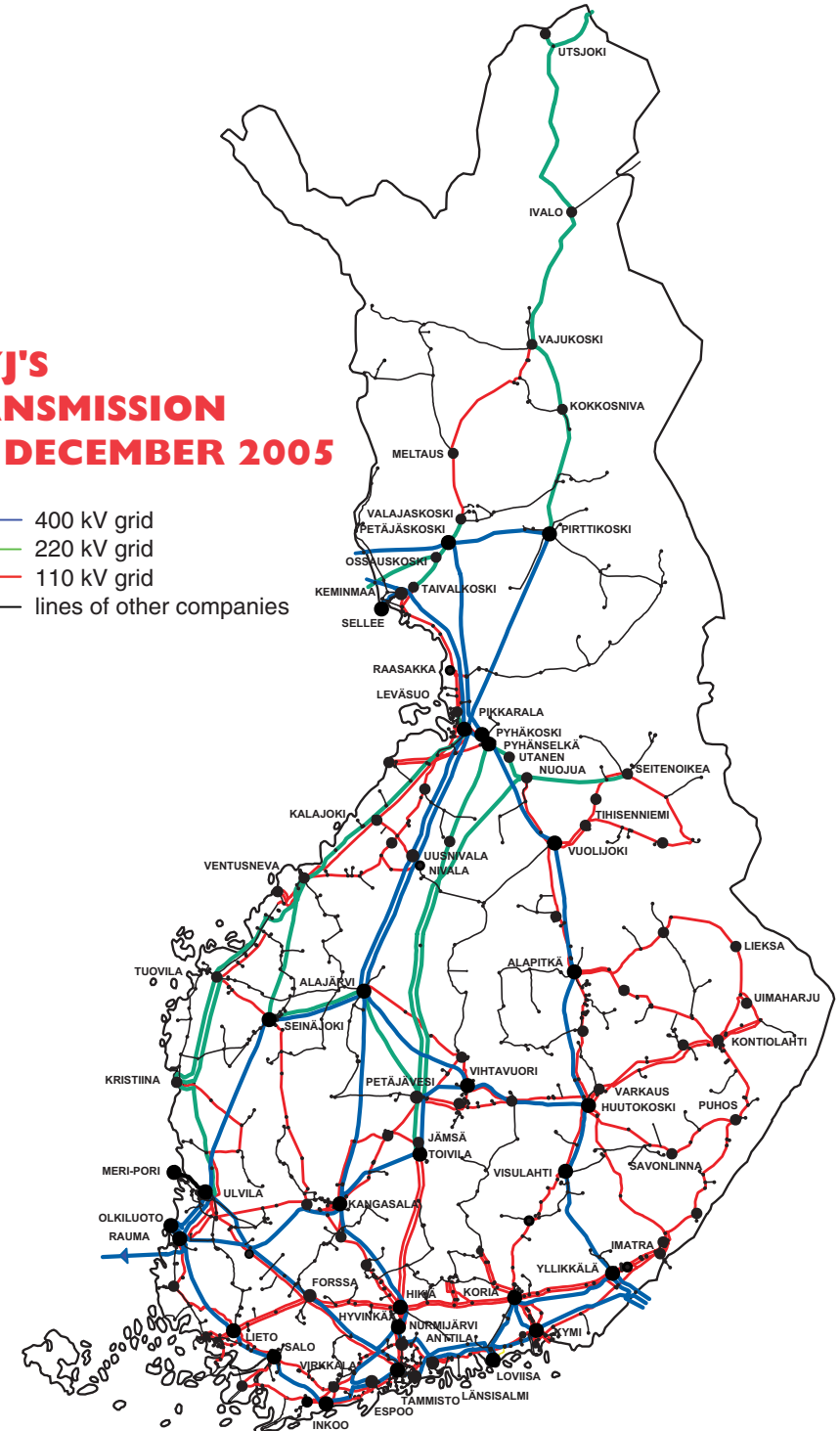
Timo Toivonen

FINGRID IN BRIEF

- Established on 29 November 1996
- Started operations on 1 September 1997
- Owns the Finnish main grid and all significant cross-border connections
- Approximately 14,000 kilometres of transmission lines and 105 substations
- Customers comprise electricity producers, major industrial enterprises, and regional and distribution network companies
- Number of transmission customers at the end of the year: 99
- Turnover 3 17 million euros
- Balance sheet total (IFRS) 1,482 million euros
- Owns 20 per cent of electricity exchange Nord Pool Spot AS
- Number of personnel at the end of the year: 224

FINGRID OYJ'S POWER TRANSMISSION GRID AT 31 DECEMBER 2005

- 400 kV grid
- 220 kV grid
- 110 kV grid
- lines of other companies



FINGRID OYJ

1 JANUARY 2006

GRID SERVICE	POWER SYSTEM OPERATION	ASSET MANAGEMENT	CORPORATE SERVICES
<ul style="list-style-type: none"> • Customer Service • Grid Development • Cross-Border Services • Market Analyses 	<ul style="list-style-type: none"> • System Management • Balance Management • Balance Settlement • Grid Operation 	<ul style="list-style-type: none"> • Grid Investments • Maintenance Management • Regional Operation • Reserve Power Plants 	<ul style="list-style-type: none"> • Communications • Market Development • Treasury • Finance • Technology • Environment • Security • Information Systems • Human Resources • Administration

FINGRID'S MISSION

As the transmission system operator in Finland, Fingrid's mission is to:

- take care of electricity transmission in the main grid
- develop the main grid
- maintain a continuous balance between electricity consumption and production
- settle the electricity deliveries between the market parties at a national level
- promote the functioning of the electricity market.

The company must attend to these duties over a long time span so that the grid is technically reliable and has sufficient transmission capacity and that the environmental impacts are adapted to the public interests. The operations must be efficient and impartial.

FINGRID'S VISION

Fingrid's vision is to be a forerunner in the electricity transmission business in the increasingly international electricity market, whilst safeguarding national interests.

FINGRID'S FOREMOST STRENGTHS

Fingrid's foremost strengths include:

- high professional expertise and work motivation of personnel
- procedures proven to be efficient on an international scale
- reliable power system and good quality in all operations
- close co-operation with customers, and trust shown by the market and authorities
- efficient performance with the company's numerous partners and service providers.

FINGRID'S VALUES

RESPONSIBILITY IN ALL OPERATIONS

Fingrid's employees work with a long time perspective and reliably and take into account the requirements imposed by the environment and safety, especially bearing in mind Fingrid's responsible duty in society.

PERFORMANCE

Fingrid's vision to be a forerunner in the electricity transmission business requires from Fingrid's employees an ability to focus on the essential and to seek progressive modes of operation. Good professional skills and cost consciousness are everybody's goals.

PROPER EXTERNAL AND INTERNAL INTERACTION

Fingrid's employees contribute to a credible corporate image through concrete action and genuine interaction. Consideration of the entirety and common good as well as efficient flow of information are included in everybody's responsibility. The responsibilities for external communications have been defined explicitly.

RESPECT FOR THE INDIVIDUAL

Through their action, Fingrid's employees promote personal relations based on mutual confidence and appreciation. Each Fingrid employee has the right to expect from the company fair procedures, reward for excellent performance, and support for individual development which is applicable to the needs of the company.



GRID SERVICES

Fingrid transmitted 62.4 terawatt hours of electricity through its transmission grid in 2005. The volume of electricity transmitted in the main grid decreased by more than 7 per cent on 2004. The reduction was due to the long labour market dispute in the Finnish pulp and paper industry and to the exceptionally mild weather in Finland.

The three-year contract period for the main grid service started at the beginning of 2005. Thanks to a positive profit trend, Fingrid decreased the price level of the tariff by approx. 5 per cent from the beginning of 2006. During its existence, Fingrid has decreased the real price level of grid service by approximately one third.

Regional grid analyses in Kymenlaakso, Savo-Karjala, Kemi-Tornio and Lapland were completed in 2005. These brought to a conclusion the overall analysis of the transmission grid launched in 2003. The analysis has been conducted in co-operation with Fingrid's customers. The analysis has had a considerable impact on the grid development plan especially in Lapland and in the Uusimaa region. The grid plans will be updated every five years.

Fingrid's Advisory Committee, which consists of the representatives of the company's customers, discussed the tariff structure and also issues concerning the pre-conditions of the electricity market and especially the future outlook for the Nordic power system. These topics were also covered in the event arranged by Fingrid for its customers in March.

In addition to the discussion conducted within the Advisory Committee as well as the Network Operation Committee and Power System Committee, Fingrid is aiming at even closer interaction with its other stakeholders, too. Discussion forums focusing on technology and expertise, official matters pertaining to the development of the grid, and environmental matters will begin in 2006.

Fingrid and AS Nordic Energy Link concluded an agreement on connecting the Estlink sea cable to the Espoo substation. The cable connection will be ready during 2006.

A total of 10.3 terawatt hours of electricity was imported into the Nordic market through Fingrid's 400 kilovolt cross-border connections from Russia. More than a dozen different market parties have been interested in the import possibility annually. Transmission contracts concerning a capacity lot of 900 megawatts which became available at the beginning of 2006 were signed with three importing companies. The total commercial capacity of 1,300 megawatts on Fingrid's cross-border connections from Russia has been fully reserved, and it is used by five market players.

Fingrid's theme days have already become a tradition. In addition to supplying topical information, these events aim at active interaction between Fingrid and its customers and other market players.





ELECTRICITY MARKET DEVELOPMENT

Hydropower production volumes, which are crucial to the Nordic electricity market, normalised in 2005 after a few years with low water reservoirs. Despite this, the average price of electricity rose from the previous year. This was due to a rise in fuel prices and to the price of emission rights for carbon dioxide, which raises the costs of electricity generated from fossil fuels.

The area price of Finland in the electricity exchange was record high, 1,147 euros per megawatt hour, on 8 December 2005 for one hour. As the rise in the price was partly due to last-minute changes in transmission capacity given for spot trade, the transmission system operators (TSOs) agreed on adjusting the rules applied between them. As of mid-January 2006, the TSOs will make a binding agreement on transmission capacity on the morning of the trading day so that the market parties have enough time to plan their action.

Transmission congestions limited Nordic electricity trade more than in 2004. The main reason for the congestions was increased supply of hydropower especially to Continental Europe. A considerable portion of the congestions existed between Denmark and the other Nordic countries. However, congestions on the border between Finland and Sweden were smaller than on any other national border in the Nordic countries. The area prices differed from each other only during 9 per cent of the hours of the year. The second sea cable between Finland and Sweden will further increase transmission capacity between the two countries.

During the early part of 2005, Nordel, the co-operation organisation of the Nordic TSOs, completed a report which defines several concrete steps to develop the Nordic electricity market. The market players and authorities took a positive attitude towards the report and Nordel's further preparation of concrete proposals.

Action already taken includes the allocation of so-called congestion revenues derived from transmission congestions to the funding of grid projects which are

The expansion of the Fenno-Skan sea cable to be commissioned in 2010 will increase the electricity transmission capacity between Finland and Sweden by approx. 40 per cent.

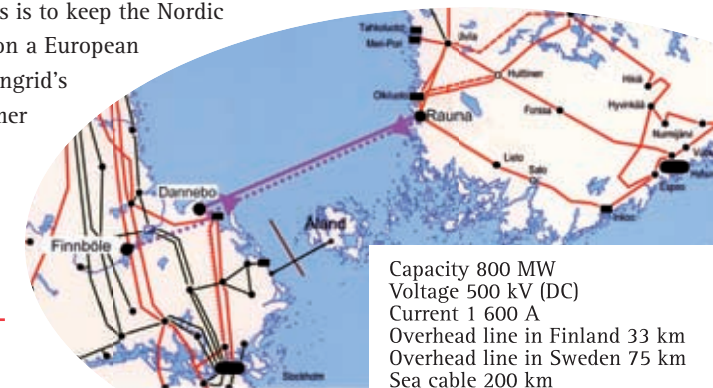
crucial to the Nordic market. Nordel has previously agreed on the implementation of five priority cross-sections; one of these is Fenno-Skan 2.

The Nordic TSOs have defined shared basic duties for system responsibility. It was agreed that the core duties are to ensure system security, maintain the power balance during the operating hour, ensure the transmission capacity of the transmission system over a long time span, and promote the efficient functioning of the electricity market. This definition will clarify the roles of the TSOs, market players and authorities on the electricity market. The goal is to have uniform definitions in the legislation of each Nordic country.

Nordic rules for transmission congestion management have been prepared as part of market development, and the harmonisation of balance service is also being prepared.

ETSO, the Association of European Transmission System Operators, has also discussed corresponding measures for developing the electricity market. Furthermore, ETSO is developing a European transit compensation system together with the Commission of the European Union and national regulators. The EU guidelines on the compensation system will not become effective before 2007.

Fingrid's goal for the coming years is to keep the Nordic market developments in the forefront on a European scale. This will also be supported by Fingrid's chairmanship in Nordel as of the summer of 2006.





CAPITAL EXPENDITURE AND GRID MAINTENANCE

Fingrid used a total of 55 million euros for capital expenditure in the grid in 2005. The capital expenditure level will rise to 60 – 70 million euros per year in the coming years. On top of this, there will be capital expenditure in new cross-border connections and a new gas turbine power plant.

The foremost project completed in 2005 was the expansion of the 400 kilovolt transmission line between Vihtavuori and Toivila and of the related substations. This will secure electricity transmission in the Jämsänjokilaakso region in Central Finland. The length of the new transmission line is 87 kilometres.

A 400/110 kilovolt substation was completed in Salo in South-Western Finland, and a 400/110 kilovolt double circuit line was built from Ylikkälä to Lempiälä in South-Eastern Finland. The 400 kilovolt voltage level will be taken into use in 2010 once the transmission line from Lempiälä to Joutseno and the Vuoksi 400/110 kilovolt substation are ready.

Several construction projects were started in 2005. The foremost new projects are the 400 kilovolt transmission lines from Ulvila to Kangasala and from Olkiluoto to Huittinen. New substations will also be built at Olkiluoto and Huittinen. These projects will be completed during 2006 – 2008. A 400/110 kilovolt substation and the expansion of a 400 kilovolt substation are under construction at Vuolijoki in Kainuu and at Tammisto in Vantaa, respectively.

The construction of a new 100 megawatt gas turbine power plant at the Olkiluoto power plant area in co-operation with Teollisuuden Voima Oy was also launched in 2005. The plant will be owned by Fingrid, and Teollisuuden Voima will participate in its construction and operation.

The gas turbine plant will add to the fast reserves available to Fingrid for disturbance management in the power system and ensure the supply of internal electricity for Teollisuuden Voima's power plants during disturbances in the main grid. In June 2005, Fingrid signed a contract for the purchase of two 50 megawatt gas turbine sets from the German company MAN Turbo AG for the plant. Competitive bidding for several significant purchases supplementing the plant was arranged towards the end of 2005. The earthwork contract at Olkiluoto was launched in December.

Fingrid's biggest project to date, the extension of the direct current link between Finland and Sweden with a capacity of approx. 800 megawatts, was launched by the drawing up of technical specifications. The sea cable from Rauma in Finland to Finnböle in Sweden will be constructed together with Svenska Kraftnät. The sea cable is due to be ready in 2010.

Fingrid used approx. 17 million euros for grid maintenance management and local grid operation in 2005. Seven regional contracts concerning the basic maintenance management of transmission lines and substations were signed during the year, covering years 2006 to 2008.

Approx. 3 million euros were used for the maintenance and automation modernisation of gas turbine power plants.

A camera surveillance system which improves the security of substations was introduced at 11 substations during the year.



The construction site of the Vihtavuori – Toivila 400 kilovolt transmission line completed in November was highly international: In addition to Finns, there were builders from Germany, Britain, Ireland, Poland and Italy. The project was in the hands of the German company SAG Energieversorgungslösungen GmbH.



R&D

Fingrid's research and development efforts in 2005 focused on enhancing the transmission capacity of the grid, development of support systems for grid operation, and on the specification of exposure to electric and magnetic fields. The approximately 40 R&D projects were allocated a total of 1.6 million euros.

The focal areas in the company's R&D will include technical analysis and control methods for system security and electricity transmissions, technical solutions and maintenance management applied to the grid, and adapting the power transmission system to its environment.

The development of a control method for damping power oscillation aims to dampen and measure low-frequency power oscillations occurring in the Nordic power system. Fingrid has succeeded in improving damping and increasing the transmission capacity of the grid essentially through means such as controller adjustments at the largest power plants. These adjustments have been carried out in co-operation with customers. In 2005, Fingrid focused especially on the real-time monitoring of power oscillations.

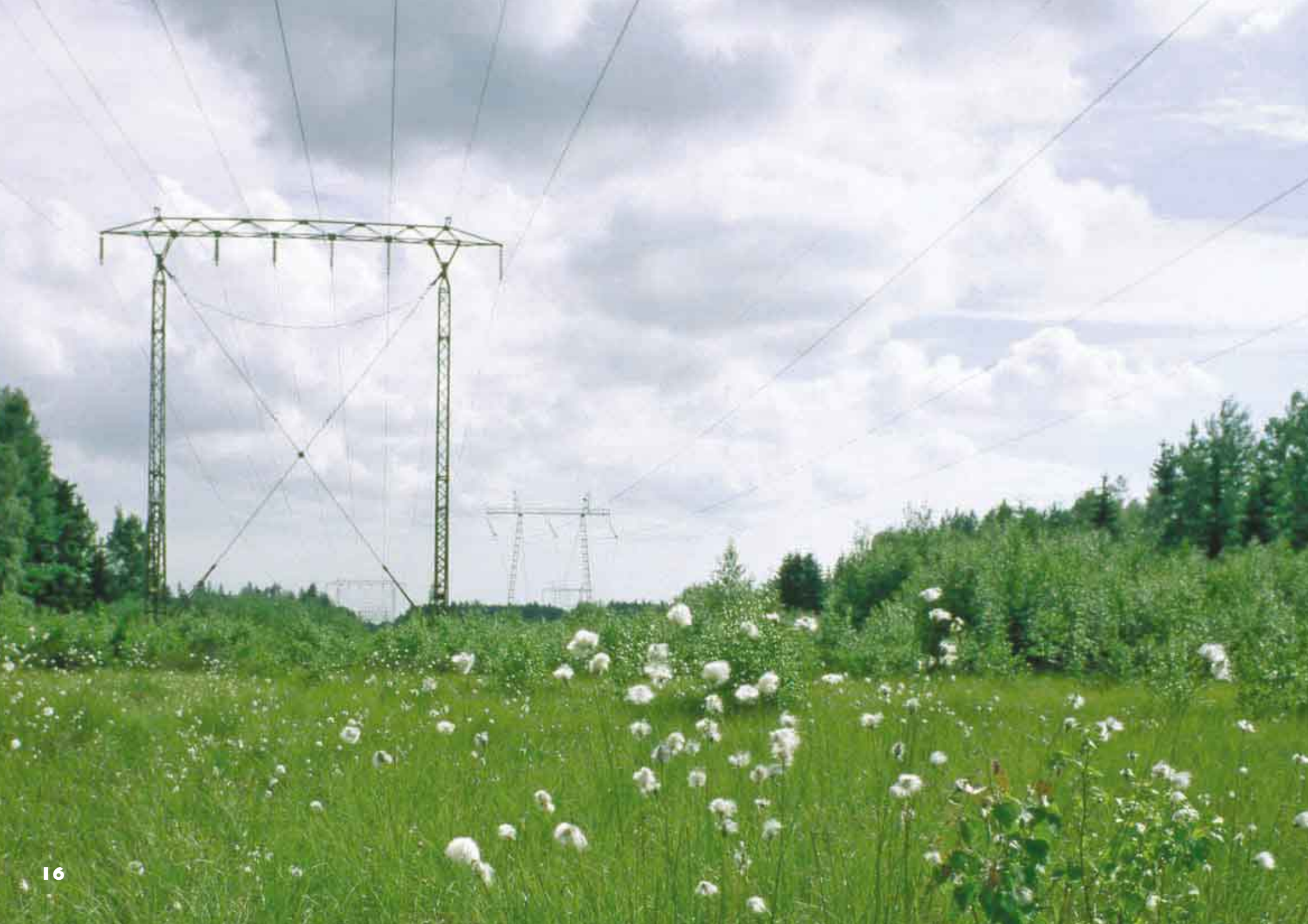
Fingrid launched an analysis into the current densities of electromagnetic fields to which personnel working at substations are exposed. This project is part of the analysis requirements imposed by the EU. The measurements indicated that the limit values set for current density are not exceeded even at 400 kilovolt substations.

The goal of the development of support systems for grid operation is to integrate information obtained from several systems and to process that information into a graphically available format. There are no off-the-shelf integration applications on the market, which is why the project has been broken down into separate applications for map material, switching, and outage planning.

Fingrid donated a five-year professorship in high-voltage electricity transmission systems to the Helsinki University of Technology, starting at the beginning of 2006. A doctoral thesis related to the calculation of system security in an electricity transmission grid, funded by Fingrid, was completed in 2005. New methods presented in the thesis have been introduced within Fingrid in risk analyses for the grid.

According to Rector Matti Pursula (on the left), the professorship to be established through Fingrid's sponsorship will advance and expand the research and teaching of high-voltage electricity transmission systems at the Helsinki University of Technology. Other persons in the photograph: Professor Pekka Wallin, Fingrid's representatives Jussi Jyrinsalo and Timo Toivonen.





ENVIRONMENT

The update of the environmental impact assessment (EIA) for the 400 kilovolt transmission line Lempiälä (Lappeenranta) – Imatra, originally drawn up in the 1990s, was completed in the spring of 2005. Nature evaluations on the transmission lines from Ulvila to Kangasala and from Olkiluoto to Huittinen were also completed in the spring. A new EIA process was launched on the 400 kilovolt line Keminmaa – Petäjäsoski.

The EIA process for the gas turbine plant planned for the Olkiluoto power plant area was finalised, and an environmental permit application for the plant was submitted to the Western Finland Regional Environment Centre in the autumn of 2005. The environmental permits of five gas turbine plants owned by Fingrid were updated.

In 2006, a special-design tower will be erected on the Ulvila – Kangasala 400 kilovolt line which reinforces the main grid in Western Finland. The dark blue colour of the tower to be erected in Lempäälä close to the Helsinki – Tampere motorway was chosen on the basis of the results of a survey published in regional newspapers in the autumn of 2005. The tower called Pirkanpylväs also obtained its name from the suggested names.

A series of special-design transmission line towers erected in Kaakkuri in Oulu earlier were illuminated to celebrate the 400th anniversary of Oulu. The illumination carried out in co-operation between Oulun Energia and Fingrid is a combination of new LED technology and traditional floodlight technology.

A research report on the assessment of social impacts of transmission line projects in conjunction with EIA processes was completed. The research was conducted by the University of Oulu together with the National Research and Development Centre for Welfare and Health (Stakes). Landowners in the area of the 400 kilovolt transmission line Keminmaa – Sella and authorities were interviewed for the research three years

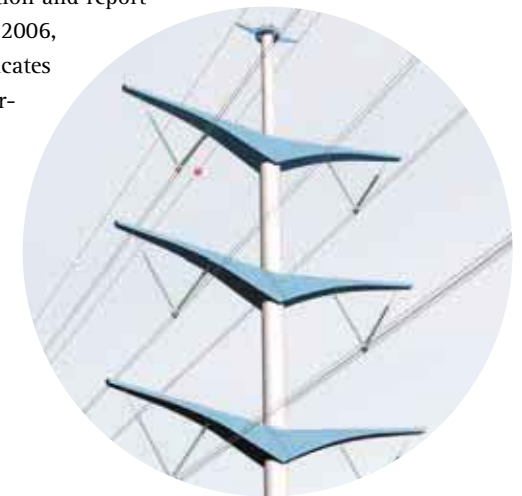
after the completion of the line. The results emphasised the importance of integrating different views, interaction, and unambiguous communications during the engineering and construction phases of transmission line projects.

The marsh research project launched with the Universities of Jyväskylä and Oulu in 2003 was brought to conclusion. According to the research findings, regular clearing of transmission line areas promotes the preservation of marsh species by providing endangered and increasingly rare daytime butterflies and plants which prefer marshes with an alternative habitat.

Bird houses installed by Fingrid for kestrels in Southern and South-Western Finland have worked as planned. The kestrel population in Finland has declined to a fraction from that which existed half a century ago.

In November, Fingrid was granted a commendation for energy conservation in the electricity transmission and distribution business by Motiva Oy, a government-owned organisation which provides expert and project services to promote more efficient energy use and to accelerate the uptake of renewable energy sources.

Fingrid issues guarantees of origin for producers of renewable energy in Finland. This is based on the Finnish act on the verification and reporting of origin of electricity. At the beginning of 2006, Fingrid ceased to issue renewable energy certificates within the RECS system and to maintain the certificate register in Finland.



The most recent special-design transmission line tower in the Finnish grid will be erected in Lempäälä close to the Helsinki – Tampere motorway. The landmark called Pirkanpylväs will be part of the 400 kilovolt transmission line to be constructed from Ulvila to Kangasala.



POWER SYSTEM OPERATION

The level of Nordic water reservoirs was higher in 2005 than in the previous year. The level ranged rather evenly on both sides of average. Electricity transmissions between Finland and Sweden consisted mainly of imports into Finland. The labour market dispute in the Finnish pulp and paper industry in the spring changed the transmission situation so that exports from Finland were in a majority.

The transmission capacity available to the market was mainly sufficient during the early part of 2005 despite a fault in the Fenno-Skan sea cable and capacity limitations caused by the replacement of aluminium towers in March. During the latter half of the year, Finland was rather often a price area of its own. The capacity limitations were due to modernisation work on the cross-border lines and internal grid problems in Sweden.

Electricity consumption in Finland in 2005 reached the highest figure at the end of January when the peak consumption was approx. 13,500 megawatts. During the labour market dispute in the pulp and paper industry, electricity consumption was almost 3,000 megawatts below normal. This caused extraordinary situations in balance management and voltage regulation. The all-time high peak consumption of 14,800 megawatts was reached in January 2006.

Exceptionally warm and rainy weather complicated the replacement of aluminium towers, which is why some of this replacement work that restricts transmission capacity between Finland and Sweden had to be postponed to 2006.

Fingrid's grid did not experience extensive disturbance situations in 2005 with the exception of a fault in the Fenno-Skan sea cable in the spring. The number of disturbances was lower than average. Heavy crown snow load in the winter or autumn and winter storms did not cause problems in main grid transmission. A fault at the Porjus substation in Sweden in early December caused the switching out of approx. 2,500 megawatts of production mainly in Norway. The Nordic system managed the frequency dip caused by the exceptionally large production loss and the Finnish reserves worked as planned, which is why the situation did not cause supply outages.

The balance service agreements with the balance providers were extended until the end of 2006. The volume of unsettled balance power has continued to stay at a very low level.

Fingrid purchased its loss energy from the Nordic electricity market both through bilateral contracts and from the electricity exchange. Price hedging was carried out by means of financial instruments. The volume of transmission losses was approx. 1 terawatt hour.

The highest reading in electricity consumption in 2005 (13,500 megawatts) was recorded at the end of January.





CORPORATE SOCIAL RESPONSIBILITY

Fingrid's nation-wide grid is an integral part of the power system in Finland. Fingrid's performance has a direct impact on the functioning of Finnish society and on the everyday life and welfare of all Finns.

Corporate social responsibility is included in Fingrid's foremost business principles. The dimensions of Fingrid's corporate social responsibility are responsibility for the functioning of the power system at a national level, economic responsibility, responsibility for the environment, and social responsibility. The fulfilment of corporate social responsibility is monitored systematically by means of indicators specified for each dimension.

Fingrid's corporate social responsibility is described in an electronic publication at www.fingrid.fi/portal/in_english/company/corporate_social_responsibility

In February and March 2005, Fingrid communicated its operations and objectives to the general public through a magazine and outdoor advertisement campaign.

Fingrid Oyj is a corporate member of Society for Electrotechnical Heritage Elektra. In 2005, Fingrid sponsored the compilation and construction of two exhibitions with specific themes at the Electricity Museum maintained by the Society. Exhibitions presenting the use of electricity for medical and healing purposes, and the 75-year history of grid construction in Finland will be on display at the Museum in Hämeenlinna also during 2006.

Fingrid Oyj published reference book "S:t Mikael 1747" in 2005. The galliot St Mikael, which sank off the south coast of Finland in 1747, is an invaluable part of Finnish cultural legacy and shared national property. Fingrid has sponsored field work carried out on the wreck of this highly intact ship, for example recovery of Meissen porcelain.





PERSONNEL

The work motivation and comfort of personnel were surveyed by means of a workplace atmosphere survey carried out by the Finnish Institute of Occupational Health. The results indicated distinct improvements in almost all areas covered by the survey as compared to the earlier corresponding surveys. An atmosphere favouring development has consolidated, and the training opportunities and induction training were regarded as good. The results also indicated that some of the burden and haste caused by work has been brought under control.

It is important for Fingrid to retain and develop professional expertise. For this reason, the company aims for instance to transfer the expertise possessed by the large post-war generations to younger generations. A Master's thesis supporting the drawing up of a related plan was launched. Job rotation will be promoted. The induction training of those shifting to job rotation and those returning to work after long-term absence, for instance after maternity leave, and recruited personnel was enhanced.

An average of 36 hours per person were used for the personnel's language training, professional supplementary training and other training in 2005. Supervisors were arranged training on employment issues.

Fingrid's equality principles were complemented by preparing an equality plan for personnel. A flexibility programme for working hours was introduced so as to adapt working life and family life together for the parents of children under the age of three years and for employees at least 60 years of age.

Fingrid applies a pay system which is based on the requirements of each position to the various personnel groups. Moreover, there are quality, incentive and suggestion bonus schemes.

At 31 December 2005, the Fingrid Group had 224 employees while the figure a year before was 220.

In November, the entire personnel of Fingrid's Arkadiankatu office in Helsinki participated in an emergency evacuation exercise arranged by the Helsinki Rescue Association.





CORPORATE GOVERNANCE

In its business, Fingrid Oyj adheres to the recommendation concerning Corporate Governance, given in December 2003.

Fingrid's Board of Directors decides on operational guidelines and significant strategic policy decisions and approves the primary principles which guide the company's business. The Board approves the annual action plan, budget and primary capital expenditure projects and annually reviews the risks relating to the company's operations and the management of such risks. Moreover, the Board appoints the President of the company and approves its basic organisation and composition of the executive management group. The working order of the Board specifies the course of procedure of the above issues in more detail.

The Board of Directors has two committees: control committee, and reward and appointment committee. The members of the control committee are Marjukka Aarnio, Risto Autio, Timo Koivuniemi and Taisto Turunen. The control committee is appointed by the Board of Directors and it assists the Board. The control committee is to supervise Fingrid's financial reporting and the quality of work of auditors and internal auditor. The control committee also supervises the company's risk management. The control committee had one meeting in 2005.

The reward and appointment committee consists of Tapio Kuula, Timo Rajala and Taisto Turunen. The reward and appointment committee is appointed by the Board of Directors and it assists the Board. This committee approves the remuneration to be paid to the President and other members of the executive management group on the basis of principles specified by the Board of Directors. The committee also prepares the appointments of the President, deputy President and persons belonging to the executive management group as well as surveys their successors. The reward and appointment committee had one meeting in 2005.

In addition to the stipulations laid down in the Finnish Companies Act, Securities Markets Act and corresponding general regulations, Fingrid's decision making is especially subject to obligations prescribed by the Electricity Market Act concerning the unbiased treatment of customers and an obligation to develop the market with a view on the overall interests. Vital matters having bearing on Fingrid's customer interface are prepared by the company's Advisory Committee. Moreover, Fingrid's Articles of Association, ownership contracts and principles concerning the work of the Board of Directors ensure objective handling of matters.

BOARD OF DIRECTORS



Timo Rajala



Tapio Kuula



Taisto Turunen



Timo Karttinen



Marjukka Aarnio



Timo Koivuniemi



Risto Autio



Tarmo Rantalankila

DEPUTY MEMBERS OF THE BOARD OF DIRECTORS

Matti Kaisjoki, Executive Vice President,
Pohjolan Voima Oy

Juha Laaksonen, Chief Financial Officer,
Fortum Oyj

Timo Ritonummi, Senior Engineer,
Ministry of Trade and Industry

Tapio Lehtisalo, Senior Adviser,
Fortum Sähkönsiirto Oy

Markku Tynkkynen, Executive Vice President,
Resources and Business Functions,
UPM-Kymmene Oyj

Pekka Kettunen, Senior Specialist,
Ministry of Trade and Industry

Jorma Tammenaho, Portfolio Manager,
nominated by investor shareholders

Timo Rajala

Chairman of the Board
President & CEO,
Pohjolan Voima Oy

Chairman of the Boards of Fingrid Oyj, Teollisuuden Voima Oy, Oy Alholmens Kraft Ab, and the subsidiaries of Pohjolan Voima Oy. Chairman of the Energy Policy Committee of Confederation of Finnish Industries EK, member of the Board of Association of Finnish Energy Industries, member of the National Board of Economic Defence and its Central Section, member of the Board of Savon Voima Oyj.

Marjukka Aarnio

Industrial Counsellor,
Head of the Division for Employment
and Economic Development Centres
Ministry of Trade and Industry,
Industries Department

Since 1989, worked at the Ministry of Trade and Industry at the Business Development and Industries Department in regional business policy and SME development, involved in several regional business development task forces and committees. Chairperson of the Contingency Advisory Committee of Employment and Economic Development Centres.

Tapio Kuula

1st Deputy Chairman
President,
Fortum Power and Heat Oy

Chairman of the Board of Kemijoki Oy, Deputy Chairman of the Board of Teollisuuden Voima Oy, member of the Board of JSC Lenenergo, member of the Supervisory Board of Gasum Oy, member of the Supervisory Board of Varma (Varma Mutual Pension Insurance Company), member of the National Board of Economic Defence, member of the Energy Policy Committee of the Confederation of Finnish Industries EK, Deputy Chairman of the Board of AB Fortum Värme Holding (co-owned with the City of Stockholm), Deputy Chairman of the Board of OKG Aktiebolag.

Timo Koivuniemi

Vice President, Energy
Stora Enso Oyj

Responsible for the company's energy operations in Finland. Since 1974, served in various duties in power production, capital expenditure and energy procurement within Veitsiluoto/Enso/Stora Enso Oyj and as the Managing Director of Enso Alueverkko Oy. Member of the Board and various committees of e.g. subsidiaries of Pohjolan Voima Oy and Teollisuuden Voima Oy. Involved in co-operation organisations in the energy industry.

Taisto Turunen

2nd Deputy Chairman
Director General,
Ministry of Trade and Industry

Member of the Board of Ekokem Oy. Member of the Supervisory Board of Gasum Oy. Involved in the work of several energy committees and task forces. Finland's representative in the energy organisations of the Nordic Council, IEA and the EU.

Risto Autio

Director, Alternatives
Varma Mutual Pension Insurance Company

Responsible for investments in private equity funds and in unlisted enterprises.

Timo Karttinen

Senior Vice President,
Fortum Oyj
Responsible for the company's business
development.

Member of the Board of JSC Lenenergo, member of the Trade Policy Committee of Confederation of Finnish Industries EK.

Tarmo Rantalankila

Secretary of the Board
General Counsel, Fingrid Oyj

ADVISORY COMMITTEE



Front row from the left:

Erik Mälkki, Vice President, Power Generation, Vattenfall Oy

Hannu Virta, Managing Director, Satapirkan Sähkö Oy

Hannu Haase, Chairman of the Board, Energiapolar Oy (Chairman)

Aimo Takala, Managing Director, Kemijoki Oy

Mikko Rintamäki, Vice President, Energy, Outokumpu Oyj

At the back from the left:

Timo Toivonen, President, Fingrid Oyj

Risto Vesala, Senior Vice President, Pohjolan Voima Oy

Sakari Suontaka, Managing Director, Kymppivoima Oy

Eero Sinkko, Deputy Managing Director, Savon Voima Oyj

Hannu Linna, Managing Director, Vaasan Sähkö Oy

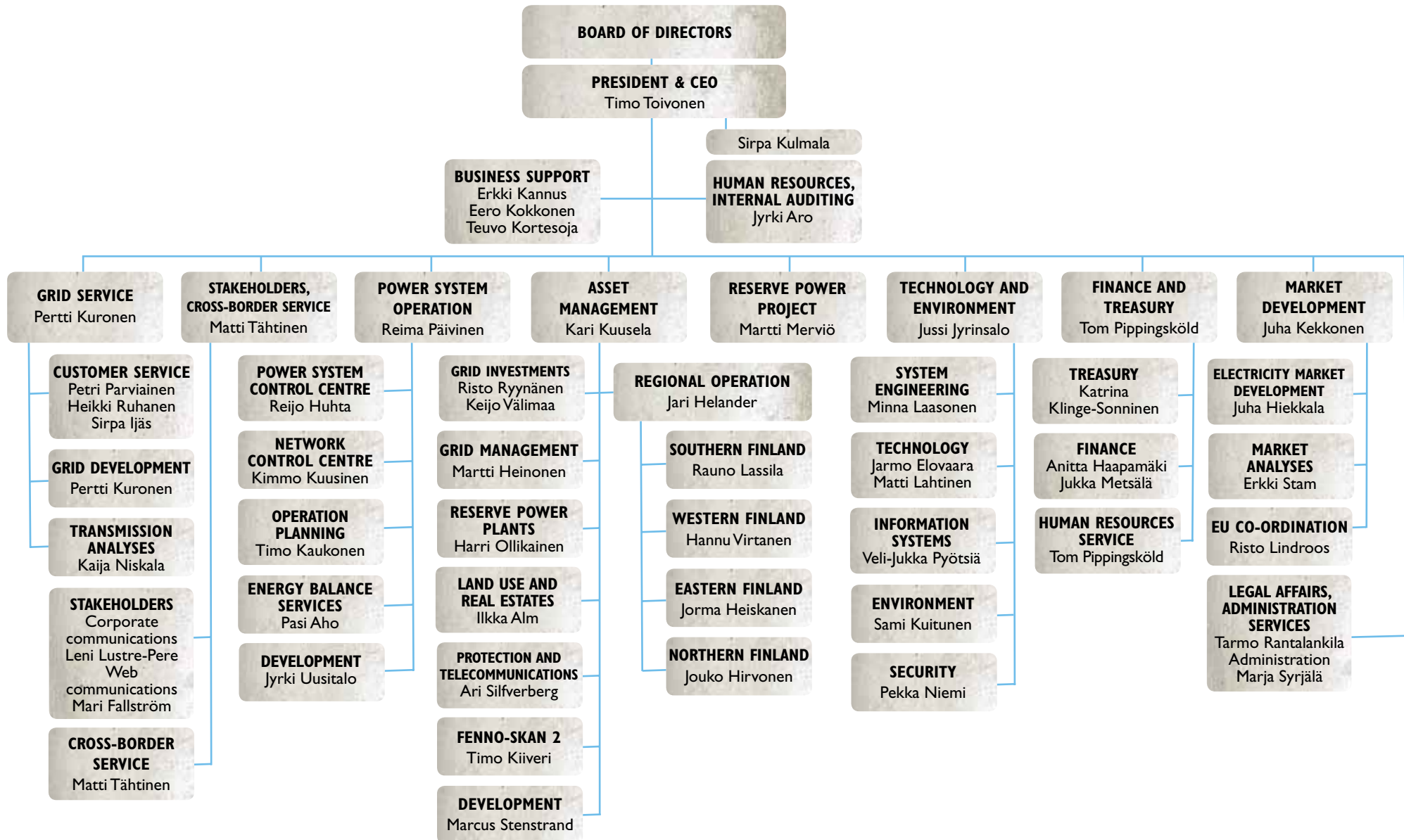
Esa Hagman, Planning Engineer, Fortum Power and Heat Oy

Anja Silvennoinen, Vice President, Energy, UPM-Kymmene Oyj

Risto Harjanne, Director, Helsingin Energy

Matti Tähtinen, Director, Fingrid Oyj (Secretary)

FINGRID OYJ (FINGRID PLC) | MARCH 2006



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